

### **Federal Tax Deposit Penalty Refund Offer Pilot**

The IRS is launching a pilot program to determine whether offering a one-time refund of a Federal Tax Deposit (FTD) penalty will be an effective incentive to migrate paper coupon users to the Electronic Federal Tax Payment System (EFTPS). EFTPS is a fast, safe, and convenient method for taxpayers to make their Form 941 payments. The IRS estimates the use of EFTPS will eliminate up to 90% of the deposit errors found among paper submissions. This will significantly reduce burden on both the taxpayers and the IRS by eliminating the need to issue and respond to the large number of notices that result from paper submission errors.

The program has been offered to approximately 600 randomly selected taxpayers. To be eligible, the taxpayer must have a fully paid FTD penalty which was assessed in the third or fourth quarter of 2001. Selected taxpayers received Publication 04048, Special IRS Penalty Refund Offer, along with Form 9779, EFTPS Business Enrollment Form, and an EFTPS brochure, Publication 966. To be eligible for the refund, the taxpayer must enroll in EFTPS, and use the system to make all Form 941 taxes on time for a full year (four quarters). At the end of that period, the taxpayer will submit a request for the penalty refund. Once the IRS verifies that all conditions have been met and the taxpayer qualifies, the penalty will be refunded with interest.

At this time, only randomly selected pilot participants are eligible for this refund offer; however, if the pilot is successful, it is anticipated that the program will be available for all taxpayers in 2003. Taxpayers or their practitioners who have questions about the program may call 1-513-263-5200 (not toll-free) between 8:00 a.m. and 5:30 p.m. ET. In addition, pilot participants may email questions to [nerohiocincytec@irs.gov](mailto:nerohiocincytec@irs.gov).